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THE PROPOSED FISCAL YEAR 1982 BUDGET:
WHAT IT MEANS FOR OLDER AMERICANS

AN INFORMATION PAPER

PREPARED BY THE STAFF OF THE
SPECIAL COMMITTEE ON AGING
UNITED STATES SENATE



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(II)

CONTENTS

	Page
The economy.....	1
Income maintenance.....	2
Social security.....	2
Supplemental security income.....	3
Civil service retirement.....	3
Military retirement.....	3
Railroad retirement.....	3
Veterans pensions.....	4
Veterans burial benefits.....	4
Food stamps.....	4
Low-income energy assistance.....	4
Other programs.....	5
Health.....	5
Medicare.....	5
Medicaid.....	6
National Institute on Aging.....	7
Veterans health.....	7
Other health programs.....	8
Administration on Aging.....	9
Social and community services.....	10
Title XX.....	10
Legal services.....	11
Community Services Administration.....	11
Volunteer programs.....	11
Housing.....	12
Assisted housing.....	12
Farmers Home Administration.....	13
Community development.....	13
Weatherization.....	13
Education.....	14
Adult education.....	14
Community schools.....	14
Continuing education.....	14
Postsecondary education.....	14
Employment.....	14
Transportation.....	15
Rescission proposals.....	15

THE PROPOSED FISCAL YEAR 1982 BUDGET: WHAT IT MEANS FOR OLDER AMERICANS

AN INFORMATION PAPER

On February 18, 1981, President Reagan sent a report to the Congress on his program for economic recovery, including several fiscal years 1981 and 1982 budget savings proposals. That report was followed by a more detailed budget submission to the Congress on March 10 that made official modifications to President Carter's earlier budget submission for fiscal year 1982.

In order to focus discussion about the impact of the fiscal year 1982 budget on the elderly, the committee staff has prepared the following paper summarizing those elements of the Reagan and Carter budgets, as submitted to the Congress, that most directly affect this special group of Americans.

THE ECONOMY

The health of the economy is of vital importance to the elderly. Over the last few years, unusually high rates of inflation have reduced the standard of living of many older citizens. Those on fixed incomes have been most seriously affected by inflation and, in particular, proportionately higher inflation in items such as energy and health costs.

The Reagan and Carter budgets focus on the important interrelationships between the health of the economy and the Federal budget. Both advocate policies to control inflation, reduce the level of Federal expenditures, and increase economic growth. However, their specific policies and their anticipated effects on the economy are quite different. The Carter budget assumed a relatively slow economic recovery with gradual reductions in Federal spending and tax rates. His January budget estimated fiscal year 1982 revenues of \$711.8 billion and outlays of \$739.3 billion with a deficit of \$27.5 billion. The Reagan budget assumes a more rapid economic recovery resulting from more immediate and larger cuts in Federal spending and tax rates. In addition, the administration assumes that large reductions in Federal regulatory requirements will have a positive effect on the economy. The March 10 budget submission estimated fiscal year 1982 revenues of \$695.3 billion and outlays of \$650.3 billion with a deficit of \$45 billion. Both the Reagan and Carter budgets project a surplus, \$500 million and \$32 billion respectively, by fiscal year 1984.

Budget estimates can change significantly if economic conditions vary. Anticipating improvement in the economy, the Reagan administration reestimated the cost of Federal programs under existing law. Unless otherwise indicated, differences between Carter and Reagan program outlays should be assumed to result from reestimating rather than proposed reductions in benefits or program efforts.

COMPARISON OF ECONOMIC ASSUMPTIONS

	1981	1982	1983	1984	1985	1986
Inflation (CPI-U), percent change, year to year:						
Carter administration.....	12.5	10.3	8.7	7.7	7.0	6.3
Reagan administration.....	11.1	8.3	6.2	5.5	4.7	4.2
Real GNP, percent change, year to year:						
Carter administration.....	9	3.5	3.7	3.7	3.7	3.7
Reagan administration.....	1.1	4.2	5.0	4.5	4.2	4.2
Unemployment, percentage, yearly rate:						
Carter administration.....	7.8	7.5	7.1	6.7	6.3	6.0
Reagan administration.....	7.8	7.2	6.6	6.4	6.0	5.6

INCOME MAINTENANCE

In fiscal year 1980, Federal income maintenance payments to retirees, the disabled, and the elderly poor totaled \$168 billion, or 29 percent of Federal expenditures for that year. These payments did not include additional benefit amounts received by the disabled and elderly poor from the \$16.2 billion in expenditures for housing assistance, food stamp, and low-income energy assistance programs.

Social security.—The Federal old age, survivors, and disability insurance program is the basic method by which this Nation assures income to retired working individuals and families. Growth in income maintenance programs has been dominated by social security which, over the last 25 years, has grown at a rate three times as fast as the gross national product. In fiscal year 1982, more than 95 percent of people age 65 or older and their dependents will be eligible for social security benefits. Fiscal year 1982 outlays for these benefits will total over \$159 billion.

The Carter budget assumed a cost-of-living increase of 12.3 percent for social security benefits in fiscal year 1982. The Reagan budget assumes a cost-of-living increase of 9.3 percent and proposed savings of \$1.5 billion through elimination of two benefits affecting the elderly—the minimum social security benefit and the lump sum death payment.

Under existing law, selected categories of citizens eligible for social security benefits receive a minimum payment regardless of their employment history. Thus, some individuals can receive higher benefits than they have earned or are otherwise entitled to receive. This provision was originally intended to help the poor but also benefits those with other sources of retirement income. The administration's proposed elimination of the minimum benefit assumes certain retirees, who meet specific eligibility requirements, will have this benefit replaced by increased payments from the supplemental security income program. Net outlay savings associated with adoption of the proposal are estimated to be \$1.3 billion in fiscal year 1982.

The administration's proposal for elimination of the lump sum death benefit would be limited to instances in which there is neither a widow nor a child to receive the survivor's benefits. Payments to widows and orphans would be continued. Fiscal year 1982 outlay savings are estimated to be \$0.2 billion.

Supplemental security income.—Financed by the Federal general revenues, this program gives cash assistance to needy aged, blind, or disabled individuals. Over 1.5 million of the program's 4.2 million

recipients are aged. In fiscal year 1981, the supplemental security income program provided a minimum income of \$238 per month for an eligible individual and \$357 per month for an eligible couple. Each July, program payment levels are adjusted, like social security, to reflect increases in the Consumer Price Index. The Reagan and Carter budgets assume cost-of-living adjustments of 9.3 percent and 12.3 percent respectively for SSI payment levels in fiscal year 1982.

Civil service retirement.—Under existing law, employee retirement and disability program payments, to 1.9 million beneficiaries, are expected to exceed \$20.2 billion in fiscal year 1982. The Reagan and Carter budgets proposed legislation to provide cost-of-living adjustments to annuity payments on an annual rather than semiannual basis. The change would make civil service retirement adjustment policy similar to that of the social security system for fiscal year 1982, for an increase of 10.2 percent under the Reagan economic assumptions. The administration estimates that adoption of this indexing change will achieve outlay reductions of \$0.5 billion in fiscal year 1982.

Military retirement.—There are over 1.3 million Americans receiving benefits under the military retirement system. Both the Reagan and Carter budgets recommend that the frequency of cost-of-living adjustments for retired military personnel be limited to once a year, consistent with other proposed changes to Federal income security programs. Under the Reagan budget, this and other revisions to the military retirement system are assumed to reduce estimated fiscal year 1982 outlays of \$15.7 billion by \$0.4 billion, giving military retirees a 10.1 percent inflation adjustment for that year.

Railroad retirement.—The Railroad Retirement Board, a Federal agency, administers over \$5.3 billion in industry pension benefits to retired and disabled railroad employees, their dependents, and survivors. Industry pension benefits include an array of special retirement, survivor, and disability payments in addition to those provided that are generally equivalent to social security payments. The Board's latest actuarial projections indicate that the railroad industry pension system is substantially underfunded and within the next 2 years will be unable to pay benefits on a timely basis. Although the total number of beneficiaries is anticipated to decline between 1981 and 1982, higher benefits to the remaining 1 million beneficiaries will offset the negative effects of this decline on the cash balances of the pension fund.

The Reagan and Carter budgets assume enactment of the Rail Pension Assurance Amendments, originally proposed in the 96th Congress, as the way to solve the rail pension system's long-term actuarial deficit without added Federal subsidies. Immediate adoption of the proposal is assumed by the Reagan administration to result in outlay savings of \$40 million in fiscal year 1982. In addition, the administration proposes to defer an ad hoc increase in benefit payments, scheduled to take effect in June 1981, for outlay savings of \$10 million in fiscal year 1981 and \$40 million in fiscal year 1982. The ad hoc increase would be deferred until current benefit payments are soundly funded. It would not affect other automatic cost-of-living adjustments made to rail pension recipients.

Veterans pensions.—Cash payments are provided by the Federal Government to needy wartime-service veterans who are age 65 or

older or who have become disabled subsequent to their military service. Survivors of wartime-service veterans also may qualify for pension benefits based on financial need.

Federal outlays for veterans pensions will exceed \$4 billion in fiscal year 1982 with 1.9 million veterans and their survivors receiving benefits. Both the Reagan and Carter budgets for fiscal year 1982 assume cost-of-living adjustments of 9.3 and 12.3 percent respectively for veterans pensions.

Veterans burial benefits.—Families of deceased veterans who are buried in private cemeteries may receive allowances to apply toward the purchase of burial plots. These families may also receive burial benefits to assist in defraying funeral expenses. Outlays for burial and other allowances are estimated to exceed \$200 million in fiscal year 1982. Neither the Reagan nor Carter budget requests revision of the program.

Food stamps.—The food stamp program assists Americans in purchasing food to maintain an adequate diet. Beneficiaries receive monthly allotments of stamps based on income and household size. While food stamp benefits are financed from Federal general revenues, the States and Federal Government share equally the costs of administering the program. Amendments to the food stamp program enacted in 1977, 1979, and 1980 have significantly changed many aspects of the original program. One provision of the 1977 amendments, eliminating the requirement that recipients pay a portion of the monthly allotment value in order to receive their allotment, has substantially increased the total population of elderly recipients. A 1980 Department of Agriculture report shows that the elderly population increased by 42 percent while other age groups increased by 26 percent. Other provisions scheduled to become effective in fiscal year 1982, such as changing the threshold for medical deductions from \$35 to \$25 for the elderly and removing the limits on shelter deductions, would also be of special benefit to the elderly. Of the estimated 22 million persons receiving food stamp benefits, 10 percent are estimated to be older Americans.

The Carter budget proposed outlays of \$12.2 billion for the food stamp program in fiscal year 1982, including \$481 million in proposed savings resulting from repeal of provisions to the Food Stamp Act of 1980 that would change, in 1982, the revised statutory formula for computing cost-of-living adjustments by projecting price changes; lower the medical care deduction threshold for the elderly and disabled from \$35 to \$25; and liberalize dependent care expense deduction.

The Reagan budget assumes enactment of savings proposals similar to those in the Carter budget and additional savings proposals for total net expenditure reductions of \$2 billion in fiscal year 1982. Those additional proposals include lowering gross income limits for eligibility to 130 percent of the poverty line, reducing benefits to households with children in schools offering free lunches, prorating benefits for the month of application, tightening the program's management and monitoring system, implementing a retrospective income accounting system, freezing existing child care and shelter deductions, and replacing the Federal food stamp and child nutrition programs in Puerto Rico with a food assistance block grant.

Low-income energy assistance.—The current energy assistance program for low-income households was authorized by the Home Energy

Assistance Act of 1980. Under the provisions of the legislation, the Secretary of Health and Human Services provides grants to the States for the purpose of making financial assistance available to low-income households with home energy costs that are excessive in relation to household income. Eligibility for benefits is limited to households where one or more individuals qualify for aid to families with dependent children, supplemental security income, food stamps, or income-related veterans programs. Households with income levels at or below the BLS lower living standard set by the Department of Labor also qualify for assistance. Single person households may have the higher of the BLS lower living standard or 125 percent of the Community Services Administration's poverty guidelines. The law specifically requires that priority be given to households with a member who is aged or handicapped.

The Carter budget included a legislative proposal reauthorizing the low-income energy assistance program for fiscal year 1982 and subsequent years at the fiscal year 1981 level of \$1.85 billion. Of the total fiscal year 1981 funding, \$87.5 million was to be transferred to the Community Services Administration to operate the energy crisis assistance program to aid low-income families with energy-related emergencies.

In fiscal year 1982, the Reagan administration proposes consolidation of the expiring home energy assistance authority with the emergency assistance program under title IV of the Social Security Act. Under the energy and emergency assistance block grant program, the States would have complete flexibility to develop and administer programs of fuel assistance and other crisis or emergency needs activities for their low-income households. The total budget request of \$1.4 billion is \$500 million below the combined fiscal year 1981 current services level of \$1.85 billion for low-income energy assistance and an estimated \$55 million for title IV emergency assistance.

Other programs.—The Pension Benefit Guaranty Corporation was created to protect, through an insurance program, the vested benefits of workers in covered pension plans that terminate. The Corporation is required by law to be self-supporting. Sources of financing are insurance premiums from employers, investment income, and employer liability. In fiscal year 1982, receipts are expected to exceed expenditures by \$29 million.

In 1978, the President's Commission on Pension Policy was established to develop recommendations on efficient and equitable retirement systems. The final report of the Commission was submitted to the President and the Congress on February 26, 1981. Because the Commission's work is completed, no additional funding for its activities is requested.

HEALTH

Medicare.—Medicare is a two-part, nationwide, comprehensive health insurance program for the aged and disabled. The hospital insurance program, or part A, provides protection against the cost of inpatient hospital services, posthospital home health services, and posthospital skilled nursing facility services, with specified deductibles and coinsurance amounts. The supplementary medical insurance program,

or part B, is a voluntary program that provides protection against the cost of physician and certain other medical services. It is estimated for fiscal year 1982 that over 25.5 million older Americans will participate in the medicare program, and that almost 70 percent of the program's benefit payments to the aged will be for part A services.

The Reagan budget estimates that medicare outlays in fiscal year 1982, assuming no regulatory or legislative program changes, will be \$49 billion, an amount \$0.6 billion higher than the Carter budget estimate. For fiscal year 1982, the Carter budget assumed \$1.8 billion in net savings resulting from the implementation of regulatory and legislative initiatives. The major savings initiative of \$830 million was expected to result from program cooperation with the hospital industry's voluntary efforts to reduce the rate of hospital cost inflation. A total of \$464 million in savings was assumed from proposed repeal of several provisions of the 1980 Budget Reconciliation Act that expanded medicare coverage and elimination of the routine nursing salary cost differential. The Carter budget also included two legislative proposals to increase fiscal year 1982 outlays by \$40 million.

The Reagan budget assumes medicare savings of \$1.9 billion through implementation of regulatory and legislative initiatives. No savings are assumed from the voluntary hospital cost containment effort. Like the Carter budget, savings are assumed from the proposed repeal of several items in the 1980 Budget Reconciliation Act expanding medicare coverage and elimination of the nursing differential. In addition, repeal is proposed of a provision in the 1980 Budget Reconciliation Act that would shift normal medicare hospital reimbursement under the periodic interim payment (PIP) program from the last 3 weeks of 1981 to 1982. Enactment of this measure would delay expenditures of \$522 million in fiscal year 1982.

MAJOR MEDICARE INITIATIVES

[In millions]

	1982 outlays	
	Carter	Reagan
Regulatory:		
Revise reimbursement rates for chronic renal dialysis.....		-\$105
Voluntary hospital cost containment.....	-\$830	
Legislative:		
Eliminate the routine nursing salary cost differential.....	-250	-250
Repeal provision shifting the medicare hospital reimbursement period.....		-522
Repeal medicare provision authorizing coverage of pneumococcal vaccine.....	-55	-55
Repeal unlimited home health visits; propose annual limit of 200.....	-6	-6
Repeal part B coverage of outpatient rehabilitation facility services.....	-13	-13
Repeal expanded dentist services.....	-17	-17
Repeal liberalized open enrollment and State medicaid buy-in provisions.....	-30	-30
Repeal expanded coverage of occupational therapy as a home health benefit.....	-35	-35
Alter method of reimbursement for health maintenance organizations.....	+20	
Expand covered mental health benefits.....	+20	

Medicaid.—The medicaid program was established to provide Federal aid to States for medical assistance to low-income persons who are aged, blind, disabled, or members of families with dependent children. Although subject to Federal guidelines, States design and administer their own individual medicaid programs determining eligibility and the scope of benefits available to their recipients. States match Federal expenditures under medicaid with State expenditures accounting for approximately 44 percent of total program costs. Over 15

percent of the Nation's 18.8 million medicaid recipients are elderly.

Both the Reagan and Carter budgets estimate that medicaid outlays under the current program will be \$18.2 billion in fiscal year 1982. The Carter budget proposed several regulatory and legislative initiatives resulting in a net decrease in fiscal years 1981 and 1982 outlays of \$31 million and \$94.7 million respectively. Enactment of one major savings proposal was assumed to save \$100 million in fiscal year 1982. This proposal would permit the collection of State medicaid disallowances at the time the disallowances are determined by the Department of Health and Human Services instead of when the appeal process is completed. Repeal was assumed of 1980 legislation allowing States currently without a part B buy-in agreement to purchase medicare part B services during 1981 for medicaid enrollees for a fiscal year 1982 savings of \$14 million. Other legislation was proposed increasing 1982 outlays by \$20 million to improve medicaid benefits to the chronically mentally ill by requiring case management services.

The Reagan administration assumes immediate enactment of the disallowance legislation for a savings of \$270 million in fiscal year 1981 and repeal of the 1980 legislation allowing States to purchase medicare part B services for medicaid enrollees. As an interim effort prior to the adoption of comprehensive Federal health financing initiatives, the administration assumes adoption of legislation to cap Federal medicaid expenditures beginning in fiscal year 1981. The limit would be structured to reduce Federal expenditures by \$100 million below the current estimates for fiscal year 1981 program costs. Federal expenditures would be allowed to increase by 5 percent in 1982, and with the rate of inflation in future years. It is assumed that by limiting Federal expenditures, States will have additional incentive to reduce fraud, abuse, and waste, and to provide cost-effective services to those most in need. Legislation would also be proposed giving States additional flexibility to target services. Limiting medicaid expenditures is estimated to save \$1 billion in fiscal year 1982.

National Institute on Aging.—Since 1977, Federal funding for the Institute's research programs on aging has doubled, reflecting the Nation's rapidly growing interest in the development of knowledge about the aging process and the health of the elderly.

The Carter budget proposed a \$588,000 rescission of funds appropriated by Congress in excess of the fiscal year 1981 request of \$76.2 million. In fiscal year 1982, a request was made for \$86.1 million, an amount \$2.3 million higher than the current services estimate for that year, and \$9.9 million higher than the request for the previous year.

A total reduction of \$1.7 million in fiscal year 1981 funds is proposed in the Reagan budget for Institute activities. For fiscal year 1982, \$84.2 million is requested, an increase of \$9.7 million over the proposed fiscal year 1981 level of expenditures.

Veterans health.—The Veterans Administration delivers hospital and medical care to veterans through a nationwide medical care system with 172 hospitals, 229 outpatient clinics, 100 nursing homes, and 16 domiciliary facilities.

Estimated outlays for veterans hospitals and medical care totaled \$6.9 billion for fiscal year 1981, and \$7.7 billion for fiscal year 1982 under the Carter budget. Savings of \$32 million for fiscal year 1982

were assumed from legislation reducing outpatient dental care and restricting travel payments for non-service-connected veterans. The Reagan budget assumes adoption of these savings initiatives and others totaling \$0.4 billion for fiscal year 1982. These additional measures include placing a ceiling on funding available for Veterans Administration physicians' and dentists' bonuses; reducing nonclinical personnel; withdrawing several small spending initiatives contained in the January budget; and, canceling or delaying some hospital construction activity.

Other health programs.—The Public Health Service of the Department of Health and Human Services administers a wide array of health programs in the areas of health research, manpower, planning, disease control, and service delivery. Both the Reagan and Carter budgets proposed several rescissions affecting these programs. In general, the Carter budget for fiscal year 1982 maintained support for the programs with an increase of \$0.4 billion over the estimated funding level of \$4.1 billion for fiscal year 1981.

The Reagan budget assumes enactment of a proposal to consolidate 26 categorical health grant programs into two State block grants. Specifically, the fiscal year 1982 budget includes \$1.1 billion for the health services block grant, and \$0.3 billion for the preventive health services block grant. Proposed funding for the block grants is 75 percent of the total fiscal year 1981 current services level for the programs which would be consolidated.

HEALTH BLOCK GRANTS

[In millions]

	1981 current services	1981 Carter budget	1981 Reagan budget	1982 Carter budget	1982 Reagan budget
Health services block grant:					
Community health centers:					
Primary health care centers.....	\$325	\$325	\$325	\$375	
Primary health care.....	7	.5	.5	0	
Black lung services.....	5	5	5	5	
Migrant health.....	44	44	44	44	
Home health services.....	4	0	0	0	
Maternal and child health:					
Grants to States.....	357	357	357	357	
SSI.....	30	30	30	30	
Hemophilia.....	3	3	3	3	
Sudden infant death syndrome.....	3	3	3	3	
Emergency medical services.....	30	30	30	33	\$1,138
Program management.....	34	34	34	35	
Mental health and substance abuse services:					
Mental health services.....	324	324	1,286	339	
Drug abuse project grants and contracts.....	161	164	1,160	163	
Drug abuse grants to States.....	30	0	0	0	
Alcoholism project grants and contracts.....	73	71	71	110	
Alcoholism grants to States.....	50	0	0	0	
Program management.....	57	57	57	59	
Total budget authority ²	1,537	1,448	1,406	1,556	1,138
Preventive health services block grant:					
High blood pressure control.....	20	20	20	26	
Health incentive grants.....	36	19	19	0	
Risk reduction and health education.....	16	16	16	16	
Venereal disease.....	40	40	40	40	
Immunization.....	24	24	24	24	
Fluoridation.....	5	5	5	8	260
Rat control.....	13	13	13	.5	
Lead-based paint poisoning prevention.....	10	10	10	2	
Genetic diseases.....	13	13	13	17	
Family planning services.....	166	162	162	162	
Adolescent health services.....	10	10	10	10	
Total budget authority ²	353	322	322	306	260

¹ Includes rescission proposal.

² May not add, due to rounding.

The Reagan budget request also reflects proposed program changes eliminating free medical care for merchant seamen; closing the Public Health Service hospitals and clinics system; reducing Indian Health Service facilities construction; and phasing out of Federal funding for health maintenance organization, health planning, and professional standards review organization programs.

ADMINISTRATION ON AGING

The Administration on Aging implements most of the programs authorized by the Older Americans Act.¹ Under the act, the Federal Government finances the activities of State agencies on aging in each State, including the technical assistance they provide to over 600 area agencies on aging throughout the Nation.

State agencies receive Federal funds, on a formula grant basis, which they award to area agencies based on State-approved area plans. Area agencies coordinate and implement the plans and, where needed, purchase social and nutritional services with the formula grant funds. In addition to funding services and service systems for the elderly, the Older Americans Act authorizes a program of discretionary grants for training, research, discretionary programs, and multidisciplinary centers of gerontology. These efforts help to train personnel in the field of gerontology, increase knowledge about the service needs of the elderly, and demonstrate systems to improve the quality of services for the elderly, particularly those who need long-term care. Finally, the law provides a system of direct grants to qualified Indian tribal organizations and funding for the National Clearinghouse on Aging and the Federal Council on the Aging.

OLDER AMERICANS ACT PROGRAM FUNDING

(In millions)

	1980 actual	1981 request		1982 request	
		Carter	Reagan	Carter	Reagan
State administration.....	\$22.5	\$22.7	\$22.7	\$22.7	\$22.7
Social services and centers.....	244.9	247.0	247.0	247.0	597.0
Nutrition.....	317.1	350.0	350.0	382.9	
Grants to Indian tribes.....	5.8	6.0	6.0	6.0	6.0
Training, research, and discretionary programs:					
Training.....	21.7	14.0	14.0	12.0	
Research.....	7.5	6.0	6.0	5.2	
Discretionary projects.....	22.1	22.5	22.5	23.0	23.2
Multidisciplinary centers.....	3.8	3.0	3.0	3.0	
Community services employment ²	235.0	265.0	265.0	277.0	277.0
Federal Council on the Aging.....	.5	.6	4.5	.6	.3
National Clearinghouse.....	1.5	2.0	2.0	2.0	
White House Conference on Aging.....	1.0	3.3	3.3	1.7	1.7

¹ Includes \$10 million rescission.

² Does not include the \$95.5 million transfer from the Department of Agriculture.

³ Administered by the Department of Labor.

⁴ Includes \$100,000 rescission.

The Carter budget proposed a total of \$704 million in fiscal year 1982 for Administration on Aging programs, a net increase of \$30.6 million over the fiscal year 1981 request. No additional fiscal year 1982 funds were requested for State and area agency activities, grants

¹ Employment programs authorized by the Older Americans Act are discussed in the employment section of this paper.

to Indian tribes, the Federal Council on the Aging, or the National Clearinghouse on Aging. An increase of \$32.9 million was requested for fiscal year 1982 nutrition activities. For fiscal year 1981 a \$10 million rescission was proposed for social services and centers with no increase above the reduced level of \$247 million for fiscal year 1982. Requested funding for training, research, discretionary projects, and multidisciplinary centers in fiscal year 1982 was lowered by \$2.3 million to \$43.2 million. The Carter budget estimated that the Department of Agriculture's food commodities program for the elderly would provide \$95.5 million in assistance in fiscal year 1982.

The Reagan budget proposes a total of \$649.1 million in fiscal year 1982 for Administration on Aging programs, an amount \$24.6 million below the \$673.7 million requested for fiscal year 1981. No additional fiscal year 1982 funds are requested for State and area agency activities or grants to Indian tribes. For fiscal 1981, rescissions of \$100,000 for the Federal Council on the Aging, and \$10 million for social services and centers are proposed. For fiscal year 1982, a further reduction of \$300,000 for the Federal Council on the Aging is requested and no fiscal year 1982 funds are requested for the National Clearinghouse on Aging.

The administration proposes to consolidate into one authority the funding authorities for social and nutrition services. In addition to the \$597 million requested for social and nutrition services under title III of the Older Americans Act, the Reagan budget includes a \$95.5 million transfer of funds from the Department of Agriculture's food commodities program for the elderly to the Administration on Aging.

The Department of Agriculture program provides a reimbursement to States of a certain amount per meal served (\$0.43 per meal in 1981). States have the option of accepting the reimbursement in cash or commodity foods. Under the Reagan proposal, States will receive cash as a part of the consolidated program authority under title III of the Older Americans Act. Non-Federal financial participation requirements for title III of the act will then apply to these funds. The current provisions for special reimbursement from the Department of Agriculture for meals served under title III will be eliminated.

The administration also proposes consolidation of the training, research, discretionary projects, and multidisciplinary centers activities into a single discretionary program at an authorized level of \$23.2 million in fiscal year 1982.

SOCIAL AND COMMUNITY SERVICES

Title XX.—Under this title of the Social Security Act, Federal payments to States are authorized for a broad range of social services and purposes. States largely determine the services they wish to provide to meet the specific needs of people in their local communities. Those services include foster care and child protective services, homemaker services, family planning, preparation and delivery of meals, transportation, counseling, and substitute care and day care for adults. Funds are allocated to the States on the basis of population. States are reimbursed for 75 percent of their expenditures for most social services.

The Carter budget requested \$3.1 billion for title XX social services for fiscal year 1982. The Reagan budget proposes funding numerous social and community service activities, including title XX, through a block grant to the States. The proposed level of funding for the block grant in fiscal year 1982, \$3.8 billion, is \$1.6 billion below the total current services estimate of \$5.4 billion for these individual programs in fiscal year 1981.

SOCIAL SERVICES

(In millions)

	1981 budget request, Carter	1981 current services, Reagan	1982 budget request	
			Carter	Reagan
Title XX	\$2,991	\$2,991	\$3,091	} \$3,800
Child welfare services	164	163	220	
Child welfare training	6	6	6	
Foster care/adoption assistance	310	359	345	
Child abuse	7	7	7	
Runaway youth	10	10	10	
Developmental disabilities	51	51	51	
OHDS salaries and expenses	4	4	4	
Rehabilitation services	931	931	975	
Community Services Administration	1,488	1,483	491	
Legal Services Corporation	321	321	347	
Office of Juvenile Justice and Delinquency Prevention	116	116	121	
Total budget authority	5,399	5,442	5,668	3,800

¹ Does not include \$6 million rescission.

Legal services.—The Legal Services Corporation was created in 1974 as a private, nonprofit corporation to provide legal assistance to the poor. Its locally controlled legal aid offices are the major source of legal assistance for the low-income elderly. Last year over 575,000 older citizens were served by the program.

President Carter requested \$347 million in fiscal year 1982 budget authority for the Corporation, an increase of \$25.7 million over the previous year's funding level. President Reagan proposes termination of the expiring authorization for the Corporation but would include legal services as an eligible activity for funding through the social services block grant mechanism.

Community Services Administration.—The community services program of the Community Services Administration (CSA) finances a variety of social services for low-income citizens through grants to approximately 900 local community action agencies.

A total fiscal year 1982 budget of \$496 million was requested in the Carter budget for community action operations, including \$10.5 million for the senior opportunities and services (SOS) program. A rescission of \$6 million was proposed for the youth sports program.

The administration assumes the \$6 million rescission for the youth sports program and proposes funding most community services activities through the new social services block grant program.

VOLUNTEER PROGRAMS

Five programs, administered by ACTION, provide opportunities for Americans, age 60 and over, to volunteer their services to the community. For fiscal year 1982, the Carter budget requested \$94.7 million for the senior companion program (SCP), the retired senior volun-

teer program (RSVP), and the foster grandparents program (FGP). The fiscal year 1981 estimate was for \$88.9 million. In the Reagan budget, a 1981 rescission of \$1.5 million is proposed for the senior companion program and a total of \$89.5 million requested for older Americans volunteer programs for fiscal year 1982.

Both the Reagan and Carter budgets request funding for the fixed income consumer counseling program at a level of \$381,000 for fiscal years 1981 and 1982. Additionally, a request of \$647,000 in fiscal year 1981, and \$450,000 in fiscal year 1982, is made in both budgets for the helping hand demonstration project.

VOLUNTEER PROGRAMS

[In millions]

	1981 Estimate	1982 Carter budget	1982 Reagan budget
Older American volunteer programs:			
Senior companion program.....	\$12.8	\$16.3	\$11.1
Foster grandparents program.....	48.4	49.7	49.7
Retired senior volunteer program.....	27.7	28.7	28.7
Subtotal.....	88.9	94.7	89.5
Fixed income consumer counseling.....	.4	.4	.4
Helping hand.....	.6	.5	.5
Total budget authority.....	89.9	95.6	90.4

¹ Does not include Reagan budget rescission of \$1.5 million.

HOUSING

Assisted housing.—The Department of Housing and Urban Development administers three major programs to improve rental housing conditions for low-income individuals and families. The section 202 program provides direct Federal long-term loans for the construction of rental housing for lower income persons who are elderly or handicapped. Section 8 lower income housing assistance payments are used in conjunction with the section 202 program. A specific set-aside of section 202 units for congregate housing construction is made annually. The section 8 program provides assistance, in the form of rental payments, to encourage the construction of new units, substantial rehabilitation of units, and the use of standard existing units. No household assisted under section 8 may pay more than 25 percent of its income for rent. The rental payment may be as low as 15 percent, depending on family income, size, and medical or other unusual expenses. Lastly, the public housing program is a locally operated program in which public housing agencies engage and assist in the development of public housing projects which may be newly constructed, existing, rehabilitated, or leased. Tenants in public housing have low incomes and usually must pay up to 25 percent of their incomes for rent.

The Carter budget requested funds for 260,000 assisted housing units in fiscal year 1982, and proposed a \$10 million rescission of funding for the congregate housing services program, a demonstration program in section 202, and public housing facilities which supports meals, housekeeping assistance, and personal care. The 1982 Reagan

budget retains this rescission and reduces the Carter budget request for total assisted housing funds by 85,000 units. In addition, the administration proposes to increase gradually, over the next 5 years, the maximum allowable rent contribution paid by tenants living in federally subsidized housing from 25 to 30 percent of their adjusted income. It is estimated that this proposal will save \$0.3 billion in fiscal year 1982.

ASSISTED HOUSING (UNIT RESERVATIONS)

	1981 ¹		1982	
	Carter	Reagan	Carter	Reagan
Section 202 ¹	(18,681)	(18,400)	(17,200)	(17,200)
Section 8.....	214,550	177,000	220,000	151,000
Public housing.....	40,000	33,000	40,000	24,000
Total.....	254,550	210,000	260,000	175,000

¹ A gonadd item, units are included in section 8 unit reservations.

Farmers Home Administration.—The Farmers Home Administration provides direct loans, similar to the section 202 program, for the construction of rental housing. Section 8 lower income housing assistance payments can be used in conjunction with this program. It has been estimated that approximately one-third of the 191,578 units constructed to date have been specifically designated for the elderly.

The Carter budget requested funding for 30,450 units for fiscal year 1982. The Reagan budget requests funding for 26,500.

Community development.—Under existing law, the Department of Housing and Urban Development provides financial support directly to local governments to help finance community and economic development activities, through the community development block grant (CDBG), and the urban development action grant (UDAG) programs. The Carter budget requested \$4.6 billion for these programs in fiscal year 1982, an increase of \$0.3 billion over the previous year's level of funding. Over \$200 million in additional funds were requested for community development-related efforts such as rehabilitation loans. Under the Reagan administration's budget, the CDBG and UDAG programs would be consolidated into a single community development block grant, and funded at a level of \$4.1 billion in fiscal year 1982. Other selected community development-related programs, such as the rehabilitation loan fund, would be terminated, but many of their functions would be eligible for funding under the guidelines of the new block grant.

Weatherization.—Under current law, the weatherization assistance program is administered by the Department of Energy. In fiscal year 1981, the program will provide \$182 million to States with approved plans for weatherizing the homes of households with incomes at or below 125 percent of the poverty standard. The primary goal of the program is to make the Nation's existing housing stock more energy efficient.

The Carter budget requested \$200 million in fiscal year 1982 budget authority for the weatherization program. In President Reagan's revised budget, no funds are specifically requested for this purpose. It

is assumed that the Department of Energy's weatherization program will be terminated and that States and local governments will fund weatherization activities through the previously discussed, revised community development block grant mechanism, administered by the Department of Housing and Urban Development.

EDUCATION

Adult education.—Through this program, formula grants are provided to States to reduce functional illiteracy among Americans 16 or older. The Carter budget included \$122 million for the program, an amount \$2 million higher than the fiscal year 1981 funding level. For fiscal year 1981, the Reagan budget proposes a rescission of \$30 million, or 25 percent. In fiscal year 1982, it is assumed that the adult education activities will be consolidated into a single grant with several other Federal education programs. Budget authority for the consolidated program in fiscal year 1982 would be 20 percent less than total budget authority provided for all of these programs in fiscal year 1981, excluding the anticipated adoption of rescissions.

Community schools.—The community schools grant program was first authorized in 1978 to stimulate the development of centers, within community school systems, that would make a variety of educational, cultural, and recreational services available to as many citizens as possible. Congress appropriated \$10 million for this program for fiscal year 1981. The Reagan and Carter budgets both propose a \$6.9 million rescission in budget authority for the program, leaving \$3.1 million available. The Carter budget requested \$3.1 million in fiscal year 1982, while the Reagan budget places the community schools program in a grant consolidation proposal with other education programs. In fiscal year 1982, funding for the proposal would be limited to 80 percent of the total fiscal 1981 appropriations excluding adoption of rescissions.

Continuing education.—Established to meet the educational needs of adults inadequately served by instructional programs in their communities, the continuing education program provides funds to States and higher education institutions to fulfill this need. In 1980, \$3 million was spent by the Federal Government for continuing education. Beginning in fiscal year 1981, the functions of the program were combined with other similar educational outreach activities. The fiscal year 1981 appropriation for the outreach program was \$15 million. The Reagan and Carter budgets proposed a rescission of \$12.8 million. Neither requested fiscal year 1982 budget authority for educational outreach programs.

Postsecondary education.—The Carter budget requested \$13.5 million in fiscal year 1981 and \$17 million in fiscal year 1982 for the improvement of postsecondary education. A significant portion of these expenditures is used to fund innovative projects for the elderly. The Reagan budget included the fiscal year 1981 request of \$13.5 million and requested the same amount for fiscal year 1982.

EMPLOYMENT

The older Americans community services employment program is authorized under title V of the Older Americans Act and administered by the Department of Labor. This program provides part-time

work opportunities in community service activities for unemployed low-income persons aged 55 or over. Spending for fiscal year 1981 under the Reagan budget remains at the same level, \$265 million, as estimated in the Carter budget. Both request \$277 million for fiscal year 1982, an amount sufficient to fund 54,200 job slots.

Although most programs authorized under the Comprehensive Employment and Training Act serve the elderly to a limited extent, activities under section 215 of title II, and section 308 of title III are targeted to older workers.

The Carter budget requested \$2.1 billion for employment and training programs authorized by title II, parts B and C of the act. It is part B activities that assist eligible participants in overcoming particular barriers to employment experienced by older workers. Under the Reagan budget, all employment and training services under title II, parts B and C, would be combined with the youth jobs program under title IV. The combined funding for the program in fiscal year 1982 would be \$2.3 billion, an amount \$919 million lower than the comparable level of funding under the Carter budget.

Title III, section 308 of the act authorizes funding of projects for middle-aged and older workers as part of the entire research and demonstration program. The Carter budget requested \$151 million for title III in fiscal year 1982. The Reagan administration requests \$1 million.

The Equal Employment Opportunity Commission is responsible for enforcement of the Age Discrimination in Employment Act. In fiscal year 1982, the number of age discrimination complaints handled by the Commission is expected to reach 11,500. The Carter budget included \$160 million for Commission activities. The Reagan budget lowered this request to \$140.4 million assuming a 9-percent reduction in the annual level of staffing.

TRANSPORTATION

Section 16(b)(2) of the Urban Mass Transportation Act, as amended in 1978, reserves almost 2 percent of the annual allotment of urban discretionary funds for capital assistance grants to private non-profit groups for transit services to elderly and handicapped persons. Under the Carter budget, at least \$53.4 million would be available in fiscal year 1982 for capital assistance, an increase of \$9.6 million over the previous year. Under the Reagan budget, \$34.4 million would be available.

The nonurban formula grant program, providing capital and operating assistance for small cities and rural areas, also is of benefit to older Americans. For fiscal year 1982, Carter requested \$120 million for this purpose. The Reagan budget requests \$100 million.

RESCISSION PROPOSALS

The Federal budget system includes a mechanism for canceling, in whole or in part, program funding (budget authority) previously provided by the Congress. This mechanism, a rescission, takes the form of a bill or resolution. When a rescission proposal is introduced to the Congress, both the Senate and the House of Representatives

must complete action on it within 45 days after the receipt of the proposal, or the budget authority must be used for the program it was intended to fund.

As discussed in this paper, the Reagan and Carter budgets included several fiscal year 1981 rescission proposals affecting the elderly. They are listed below in the following summary table.

FISCAL YEAR 1981 RESCISSION PROPOSALS

[In millions]

	Carter	Reagan
National Institute on Aging.....	\$0.6	\$1.7
Home health services.....	4.0	4.0
Preventive health services.....	27.0	27.0
Health manpower.....	167.0	252.0
Health maintenance organization.....		28.0
Senior social services and centers.....	10.0	10.0
Federal Council on the Aging.....		.1
Senior companion program.....		1.5
Congregate housing services.....	10.0	10.0
Veterans medical care.....	162.0	162.0
Adult education.....		30.0
Community schools.....	6.9	6.9
Continuing education.....	12.8	12.8